INFORMATION BULLETIN

2008-1

January 10, 2008

Limits governing the deductibility of automobile expenses and rates for benefits relating to the use of an automobile for 2008

On December 24, 2007, the Minister of Finance of Canada announced, in a news release,[1] changes to certain limits governing the deductibility of automobile expenses and to the rates applicable to the calculation of the value of the taxable benefits relating to the use of an automobile for 2008.

In this regard, in keeping with the principle of substantial harmonization of tax legislation regarding automobiles, the various limits and rates governing the deductibility of automobile expenses and the calculation of the value of the taxable benefits relating to the use of an automobile contained in Québec's tax legislation and regulations, will be the same as those applicable in the federal system. These limits and rates are described in the appendix.

For information concerning this information bulletin, contact the Secteur du droit fiscal et de la fiscalité at 418 691-2236.

The French and English versions of this bulletin are available on the ministère des Finances website at : www.finances.gouv.qc.ca

Paper copies are also available, on request, from the Direction des communications, at 418 528-9323.

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1 Department of Finance Canada, News Release 2007-111.

Finances Québec

Appendix

Limits governing the deductibility of automobile expenses and rates for benefits relating to the use of an automobile

Automobile expenses or value of certain taxable benefits	Limit or rate
Amount deductible from allowances paid by an employer to an employee according to distance travelled with his automobile:	
- first 5 000 km	As of January 1, 2008, the limit will rise from 50 to 52 cents/km[1]
- additional kilometres	As of January 1, 2008, the limit will rise from 44 to 46 cents/km[1]
Value of the benefit relating to operating expenses of an automobile that an employee uses for personal purposes, where the automobile is supplied by his employer:	
- if the job consists mainly in selling or renting automobiles during the taxation year	As of January 1, 2008, the rate will rise from 19 to 21 cents/km
- in other cases	As of January 1, 2008, the rate will rise from 22 to 24 cents/km
Maximum capital cost of passenger vehicles for the purposes of the deduction for depreciation	For vehicles acquired after 2007, the maximum capital cost will remain at $30 000[2]
Interest expenses eligible as a deduction	For vehicles acquired after 2007, the limit will remain at $300/month
Leasing charges eligible as a deduction	For leases concluded after 2007, the limit will remain at $800/month[2]

(1) The limit will continue to be 4¢ higher per kilometre in the Yukon Territory, the Northwest Territories and in Nunavut, to reflect the higher cost of maintaining and operating a vehicle in those territories. Accordingly, it will rise to 56¢ for the first 5 000 kilometres and to 50¢ for additional kilometres.
(2) Before applicable sales taxes.